

## CITY OF MILPITAS

### CITY COUNCIL UTILITY RATE SUBCOMMITTEE

Monday April 16, 2007

#### DRAFT MEETING MINUTES

City Hall, 1<sup>st</sup> Floor Committee Room

- II. Mayor Esteves called the meeting to order at 6:44 pm.
- III. Attendees: Mayor Jose Esteves, Vice Mayor Livengood  
Staff: Tom Williams, Emma Karlen, Greg Armendariz, Kathleen Phalen, Marilyn Nickel  
Applicants: John Cimino, MUSD Facility Director  
Public: Frank de Schmidt
- IV. Announcements – There were no announcements.
- V. Agenda was approved.
- VI. Mayor Esteves and Vice Mayor Livengood approved the minutes from January 23, 2007 and Mayor Esteves approved the minutes from March 6, 2007.
- VII. Public Forum – No one spoke.

#### **VIII.a. Airpoint School Water Supply**

- a. Utility Engineer Kathleen Phalen gave a power point presentation with the following key points:
  - 1. Applicant's site, Airpoint School at 3100 Calaveras Road, is inside the city limits and outside the urban growth boundary.
  - 2. Connection to City services is prohibited unless Council finds an urgent health or safety concern exists.
  - 3. Applicant has submitted information documenting the health and safety conditions and responding to Ordinance No. 38.742 requirements:
    - There is an urgent health and safety concern. Water contaminants exceed MCL drinking water standards..
    - Applicant's engineer has documented the cost to treat the well water.
    - State Office of Architect prepared construction plans prior to November 3, 1998.
    - Applicant agrees to pay proportionate share of costs (in this case, all costs).
  - 4. A 3-party agreement with the City, County, and MUSD is needed. City supplies water to the County's on-site system serving Ed Levin Park. Airpoint will connect to the County system with a submeter. City is responsible for meter reads and billing to both County and MUSD.
- b. Responses to questions raised by the subcommittee are as follows:
  - Q. How far outside the urban growth boundary is the school?
  - A. The urban growth boundary is at Piedmont Road and is about 1 mile away.
  - Q. Does the meter reader already go into this area?
  - A. Yes - this site is on the way to other meters.
  - Q. What is the water supply to the County on-site system?
  - A. The City's drinking water system.

Q. Is the County aware of this request?

A. Yes, MUSD has been coordinating meetings.

Q. Does this set a precedence to connect to the County?

A. No, the City Attorney has determined that each request needs an independent review. There are no similar sites that staff is aware of.

Q. What about the restaurant at the golf course?

A. The restaurant is served by the County on-site system.

Q. Directed to Applicant: What are the student activities at the school?

A. Applicant stated this site is an alternative school for high risk kids. The site provides an individualized program designed to get kids back on track. There are 27 students and 6 staff for 9 months of the year. The water use is minimal. The site has been using bottled water for the past 6 years. The well water stains the fixtures. If we could make this well work, we would. However, it will cost \$500 per month for a water operator. The County's on-site water system is 15 feet from our property line.

c. Staff recommendation:

1. Conceptual approval that substantial evidence has been provided.
2. Place on future Council meeting agenda to make findings and approve three-party water service agreement.

d. Further Discussion:

Vice Mayor Livengood expressed concern that there are other wells of similar water quality in the hillsides. It may not be possible to supply all these homes. He is willing to support a local government agency. It was noted that many sites are far from the City's system and the distance for connection is cost-prohibitive.

e. Subcommittee recommendation:

1. Gave conceptual approval that substantial evidence has been provided.
2. Forward item to Council.

**VIII.b. Sewer Treatment Capacity Purchase Update**

a. Utility Engineer Phalen gave a power point presentation with the following key points:

1. City's Sewer Master Plan identifies a need for 13.0 mgd treatment capacity.
2. Transit Area Specific Plan calls for additional 1.04 mgd.
3. City continues to receive inquiries for zoning changes that require additional capacity (0.47 mgd to date).
4. City has 13.5 mgd capacity.
5. Staff is discussing a capacity purchase or lease with Cities of San Jose and Santa Clara; staff is targeting June 2007 to approve a Letter of Understanding; and January 2008 is targeted to approve Amendments to the Master Agreements.
6. Staff is discussing a purchase with Cupertino Sanitation District for capacity for future zoning changes; staff is targeting June 2007 for a decision by the District Board; and January 2008 is targeted to approve amendments to the Master Agreements.

b. Responses to questions raised by the subcommittee are as follows:

- Q. How is this capacity different than the 1.0 mgd we already bought?
- A. This is different, we used almost half already.
- Q. At what point do we say "stop"? How many units can we allow?
- A. City has 5 different General Plan Amendments currently pending. Per State Planning Law, we have to process applications. If Council declares a moratorium, we would not accept applications.
- Q. Do you consider sewer capacity for each development?
- A. Yes, we need to establish capacity for each project.
- Q. Will you inform Council when we need a moratorium?
- A. If we're not successful with Cupertino or San Jose/Santa Clara, we would come to Council to tell you. This is a policy issue - we have no policy today and could discuss in a study session.
- Q. What about permitted sites?
- A. We have capacity for current zoning; when they change use it's a problem.
- c. Staff recommendation:
1. Continue working with Cupertino Sanitation District, City of San Jose, and City of Santa Clara to obtain sufficient sewer capacity.
- d. There was no further discussion.
- e. Subcommittee recommendation: Agreed with staff recommendation.

### **VIII.c. Utility Wholesaler Updates**

- a. Utility Engineer Phalen gave a power point presentation with the following key points:
1. In February, SFPUC estimated a water rate increase of 5.1-10.7%. Expect an update in May or June.
  2. The SCVWD staff recommendation is 6.5% water rate increase; however some capital programs are deferred.
  3. WPCP O&M staff recommendation is 2.8% increase.
  4. WPCP CIP is expected to increase from the historical level of approximately \$1 million annually to over \$4 million annually over the next 10 years.
  5. Some neighboring agencies are projecting water rate increases ranging from 9-12%; and sewer rate increases ranging from 0-10%.
  6. SCVWD will be using alternate supplies to replace supply curtailments with no impact to retail customers.
  7. SCVWD has declared a water shortage and implemented a 10% voluntary cutback; and will provide an update in May.
- b. Responses to questions raised by the subcommittee are as follows:
- Q. Does every City do Prop 218 notice?
- A. Prop 218 was passed in 1998 - believe most cities are now doing a notice.
- Q. I don't remember our doing the notice since 1998 except last rate adoption.
- A. Prop 218 had several challenges over the last 10 years. The requirements are now stabilizing after lawsuits.

c. Staff recommendation:

1. May - Review SFPUC's water conservation update and consider adopting water use prohibitions
2. June 26 - Present Utility Rate Analysis to the Utility Rate Subcommittee
3. August 21 - Conduct public hearing; introduce rate ordinances; receive approval to send Prop 218 notices
4. October 16 - Conduct Prop 218 protest hearing; adopt rates

d. Further Discussion:

1. Vice Mayor Livengood noted TPAC has been discussing the WPCP CIP. Need to consider bonding and other financing methods to spread these costs over 30 years.
2. It was noted that Milpitas residents are not typically notified when wholesalers conduct public hearings since they are not direct customers.

e. Subcommittee recommendation: Agreed with staff recommendation.

***IX. Future Agenda Items***

a. Utility Engineer Phalen identified the following list as future agenda items:

- Water Backflow Program
- Utility Rate Status
- Residential Billing Codes
- Transit Area Specific Plan Funding
- Solid Waste Negotiations
- ABAG Sewer Backflow Program

b. Discussion:

1. Mayor Esteves requested that the agenda include a regular status report on infrastructure and maintenance.

**X. Adjournment** –Staff to schedule the next meeting as needed. The meeting was adjourned at 7:19 pm.